

DEVELOPMENT SECRETARIAT.

No. D. 5809—I. & C. 92-36-14, dated 19th—23rd March 1936.

The undermentioned Resolution by the Government of India regarding Tariffs, is republished for general information.

By Order,

M. VENKATANABANAPPA,
Secretary to Government,
Development Department.

DEPARTMENT OF COMMERCE.

RESOLUTION.

TARIFFS.

New Delhi, the 23rd January 1936.

No. 9-T. (7)/35.—In their Resolution No. 9-T. (2)/34, dated the 20th of October 1934, the Government of India referred for investigation by the Tariff Board the claims of the Indian woollen textile industry for the protection in accordance with the principles laid down by the Indian Fiscal Commission and accepted by the Legislative Assembly. An enquiry was duly held and the Board submitted its Report on the 10th of June 1935. The Report which is published to-day for general information, has received the careful consideration of the Government of India whose decisions thereon are as follows:—

2. In the general description of the industry contained in Chapter II of the Report the Board draws attention to the well-marked differentiation between the woollen and the worsted branches of wool manufacture and in its analysis of the claim for protection, the Board has dealt with each branch separately though it realised that the two branches were not always mutually independent. With this procedure the Government of India are in full agreement and in the following paragraphs the worsted and woollen branches will be separately considered.

3. *The Worsted Industry.*—The claim of the worsted manufacturing industry to protection is discussed in paragraphs 65-73 of the Board's Report. In its consideration of the extent to which this branch of the woollen industry complies with the conditions prescribed by the Indian Fiscal Commission, the Board has pointed out that "one of the main factors of the first condition laid down by the Fiscal Commission, viz., the existence of an abundant supply of raw material, is not fully satisfied." India is in fact dependent for the most part on outside sources for the supply of the long fibre wool which constitutes the raw material of the industry. If it is true, as the Board says, that for so long a period as can be foreseen, worsted manufacture will be mainly dependent on foreign supplies—and there appears no reason to contest this statement—the Government of India are of opinion that the worsted branch of the Industry, already handicapped by the comparative smallness of its home market, completely fails to satisfy the first and most important condition precedent to the grant of protection. The claim for protection must therefore also fail.

4. *The Woollen Industry.*—The Government of India notice with regret that a very important section of the woollen branch, as represented by the Cawnpore and New Egerton Woollen Mills, has not found it possible to place before the Tariff Board any evidence as to the nature and degree of the competition which it experiences from imports from abroad or as to the costs of manufacture in India. They are in accord with the Tariff Board in considering that the bare assertion of an industry cannot be accepted as evidence of the need for protection. They differ from the Board, however, in regard to its opinion that the case for protection, in general, and the estimation of the quantum of protection, in particular, can be properly determined in the absence of evidence from a section of the industry representing at least 50 per cent of its production. Whatever may be the natural advantages of the woollen industry, the suppression of all facts relating to the comparative efficiency of its most important units precludes any findings in regard to the fulfilment of the second and third conditions of the Fiscal Commission and, equally vitiates any calculation of the degree of the protection necessary in order to equate import prices to the fair selling prices of the average efficient mill. The Government of India have, therefore, reluctantly decided that on the evidence which has been produced it cannot be held that a claim for the protection of the woollen branch of the industry has been established. They realise, however, that the defects in the case for protection are not necessarily irremediable and they propose to refer it back to the Tariff Board in order that those interests which have not yet thought fit to give evidence may have another opportunity to substantiate a case which would otherwise go by default.

5. Although they have felt compelled to reject, for the time being at least, the claim of the woollen mills, the Government of India are impressed with the recommendations of the Tariff Board in regard to the handloom and small scale industry. They agree with the Board in believing that the cottage industry will derive more benefit from technical advice and assistance in marketing arrangements than by the imposition of protective duties which in themselves provide no incentive towards the improvement without which the continued survival of the small scale industry is problematical. The Government of India have therefore decided, subject to the vote of the Legislative Assembly, to make a grant of Rs. 5,00,000 spread over five years for the benefit of the cottage and small scale woollen industries. They intend that this grant should be administered in the same manner as the similar grant for the silk industry and applied for the benefit of those provinces in which there is a substantial cottage and small scale woollen industry.

6. In regard to the woollen hosiery industry, the Government of India do not propose to take any decision pending a consideration of the further Report of the Tariff Board on the claims of the main woollen industry. The recommendations of the Board in respect of cotton hosiery and staple fibre are not germane to the main enquiry. They will be the subject of separate consideration and the conclusions of Government thereon will be announced in due course.

ORDER :—Ordered that a copy of the above Resolution be communicated to all Local Governments and Administrations, etc., all Departments of the Government of India, the Director-General of Commercial Intelligence and Statistics, the Central Board of Revenue, the Indian Trade Commissioners, London, Hamburg, and Milan, the Secretary, Tariff Board, the High Commissioner for India, London, His Majesty's Trade Commissioner in India, the Canadian Trade Commissioner in India, all the Chambers of Commerces and Associations, the French Trade Commissioner in India, Burma and Ceylon, the Secretary, Imperial Council of Agricultural Research and the Chief Controller of Stores.

ORDERED also, that it be published in the *Gazette of India*.

T. A. STEWART,
Secy. to the Govt. of India.